

104TH CONGRESS  
2D SESSION

# H. R. 3550

To amend the Internal Revenue Code of 1986 to exclude from gross income the gain realized from the sale or exchange of a capital asset used to generate self-employment income if the entire amount of such gain is deposited in an individual retirement account.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 29, 1996

Mr. MCDADE introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income the gain realized from the sale or exchange of a capital asset used to generate self-employment income if the entire amount of such gain is deposited in an individual retirement account.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. INCOME EXCLUSION FOR GAIN FROM DIS-**  
4 **POSAL OF A CAPITAL ASSET.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-  
6 ter 1 of the Internal Revenue Code of 1986 is amended

1 by redesignating section 137 as section 138 and inserting  
 2 after section 136 the following new section:

3 **“SEC. 137. GAIN FROM SALE OR EXCHANGE OF A CAPITAL**  
 4 **ASSET USED TO GENERATE SELF-EMPLOY-**  
 5 **MENT INCOME.**

6 “(a) IN GENERAL.—Gross income does not include  
 7 any gain on the sale or exchange of a capital asset used  
 8 in the production of earnings from self-employment if the  
 9 entire amount of such gain is deposited in a individual  
 10 retirement account.

11 “(b) DEFINITIONS.—For the purposes of this sec-  
 12 tion—

13 “(1) SELF-EMPLOYMENT.—The term ‘self-em-  
 14 ployment’ has the meaning given to such term in  
 15 chapter 2 of this subtitle.

16 “(2) INDIVIDUAL RETIREMENT ACCOUNT.—The  
 17 term ‘individual retirement account’ has the mean-  
 18 ing given to such term by section 408.”

19 (b) CONFORMING AMENDMENTS.—

20 (1) Subsection (d) of section 219 of such Code  
 21 is amended by adding at the end the following:

22 “(5) DENIAL OF DEDUCTION FOR AMOUNT  
 23 CONTRIBUTED FROM SALE OR EXCHANGE OF A CAP-  
 24 ITAL ASSET USED TO GENERATE SELF-EMPLOYMENT  
 25 INCOME.—No deduction shall be allowed under this

1 section with respect to any amount excluded from  
 2 gross income by section 137.”

3 (2) Section 408 of such Code is amended by re-  
 4 designating subsection (p) as subsection (q) and in-  
 5 serting after subsection (o) the following new sub-  
 6 section:

7 “(p) CONTRIBUTION LIMITATIONS RESPECTING  
 8 SALE OR EXCHANGE OF CAPITAL ASSET USED TO GEN-  
 9 ERATE SELF-EMPLOYMENT INCOME.—Any limitation  
 10 under this title on contributions to an individual retire-  
 11 ment account is hereby increased by the amount contrib-  
 12 uted to an individual retirement account which is excluded  
 13 from gross income under section 137.”

14 (c) CLERICAL AMENDMENT.—The table of sections  
 15 for part III of subchapter B of chapter 1 of such Code  
 16 is amended by striking the item relating to section 137  
 17 and inserting:

“Sec. 137. Gain from sale or exchange of a capital asset used to generate self-  
 employment income.

“Sec. 138. Cross references to other Acts.”

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